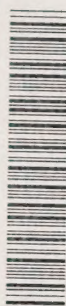


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GEOGRAPHY

The United Kingdom, located in Western Europe, is a group of islands, including the northern one-sixth of the island of Ireland, between the North Atlantic Ocean and the North Sea, northwest of France. The total area of the U.K. is 244,820 km². The land area is 241,590 km². The land boundaries total 360 km, a boundary shared with Ireland. The U.K.'s coastline is 12,429 km. The climate of the U.K. is temperate; moderated

by prevailing southwest winds over the North Atlantic Current; and more than half of the days are overcast. The terrain is mostly rugged hills and low mountains; level to rolling plains in the east and the southeast.

Natural resources include coal, petroleum, natural gas, tin, limestone, iron ore, salt, clay, chalk, gypsum, lead, and silica.



DEMOGRAPHICS

The population of the United Kingdom reached 59.96 million in 1995. Nineteen percent of the population is under the age of 14 years, 65 percent is between the ages of 15 to 64 years, and 16 percent is 65 years and over. The population growth rate was 0.27 percent in 1995. The birth rate was 1.318 births per 100 population. The death rate was 1.066 deaths per 100 population. The net migration rate was 0.17 migrants per 1,000 population.

The nationality of the United Kingdom is British. The ethnic divisions of the U.K. include English

(82.4 percent), Scottish (9.6 percent), Irish (3.3 percent), Welsh (1.9 percent), West Indian, Indian, Pakistani, and other (2.8 percent).

Predominant religions include Anglican (27 million), Roman Catholic (9 million), Muslim (1 million), Presbyterian (800,000), Methodist (760,000), Sikh (400,000), Hindu (350,000), and Jewish (300,000). The U.K. does not include a question on religion in its census. Languages include English, Welsh (about 26 percent of the population of Wales), and the Scottish form of Gaelic (about 60,000 in Scotland).

ECONOMIC OVERVIEW

The U.K. is one of the world's great trading powers and financial centres, and its economy ranks among the 4 largest in Western Europe. The economy is essentially capitalistic; over the past 13 years, the ruling Conservatives have greatly reduced public ownership and contained the growth of social welfare programs.

Agriculture is intensive, highly mechanized, and efficient by European standards, producing about 60 percent of food needs with only 1 percent of the labour force.

The U.K. has large coal, natural gas, and oil reserves, and primary energy production accounts for 12 percent of GDP, one of the highest shares of any industrial nation. Services, particularly banking, insurance, and business services, account by far for the largest proportion of GDP while industry continues to decline in importance, now employing only 25 percent of the work-force and generating only 21 percent of GDP.

The resurgence of the British economy in the 1980s roughly paralleled the return of the Conservative Party to power in 1979.

The recovery began in 1981 and continued for 9 years, the longest running growth period in British post-war history. Labour productivity in manufacturing rose 4.8 percent a year from 1979 to 1989, and the 2.2-percent rate of real GDP growth achieved in that period was among the highest rates in EU countries.

After successfully emerging from its 1979-81 recession, the United Kingdom was able to avoid the slow-down in economic growth in Western Europe in the early 1980s that resulted, in part, from high interest rates. U.K. government policy was to maintain a tight control over domestic demand while engineering a competitive devaluation of the pound.

Signs of economic overheating began to emerge in 1988 and were unmistakable by 1990, as retail price inflation reached a rate of approximately 11 percent and average annual wages were growing at nearly 10 percent. In response to overheating and inflation, the government introduced several strategies.

A tight monetary policy featuring higher interest rates was established to rein in the momentum of the economy. Base (prime) rates were raised incrementally from 7.5 in mid-1988 to 15 percent by the end of 1989. To help curb inflation, the United Kingdom shifted from a floating exchange rate system and entered the fixed Exchange Rate Mechanism (ERM) of the European Monetary System in October 1990. Joining the ERM required the government to maintain a fixed exchange rate of sterling against the Deutsch mark (DM) at DM 2.95, a rate which proved increasingly difficult to maintain.

By early 1990, the effects of monetary restraint were producing a slow-down in the economy. Consumer spending declined sharply as households paid off personal and mortgage debt incurred during the earlier period of low interest rates. Concurrently, companies' fixed investments declined, and inventories were drawn down. The resulting recession, which was the longest since the 1930s, caused widespread business failures and unemployment, and significantly increased the public sector borrowing requirement. Both consumer and business confidence were seriously undermined.

Small firms were particularly hard hit as larger companies stayed afloat by cutting costs, postponing investment and by delaying payments to creditors.

From a high of 10.9 percent at the beginning of the recession in September 1990, the underlying rate of inflation dropped to 2.6 percent in April of 1995. (The U.K. Treasury prefers to monitor the "underlying" rate of inflation instead of the "headline" rate which includes mortgage interest payments exaggerating inflationary trends. The latter was 3.3 percent.) Steep declines in domestic demand early in the recession drove down inflation; high levels of unemployment and restrained wage growth was expected to keep the underlying inflation rate from going much over 3 percent in 1995.

Interest rates were maintained at relatively high levels until September 1992, when intense speculative pressure on the currency exchange

markets caused the United Kingdom to withdraw from the ERM and allowed the pound sterling to float. Freed from the constraints of the ERM, the U.K. Treasury brought down the base rate from 10 percent in September 1992 to 5.25 percent in June 1994.

Very high levels of economic growth in mid-1994 prompted monetary tightening beginning in September. Three 50-basis point increases to 6.75 percent appear to be contributing to a slowing of growth to a more sustainable level.

The economic recovery, which began in mid-1992, has already lasted 12 quarters. However, it has been restrained by persistently low levels of consumer confidence, in spite of vigorous export growth. The effective devaluation of sterling upon leaving the ERM, and the return of economic growth in the United States, had a positive impact on U.K. exports during 1993 and 1994. Also half the United Kingdom's trade is now with other members of the EU, and economic recovery in Europe has contributed to demand for British exports. At the same time, imports have remained restrained so that the narrowing of the trade deficit made a significant contribution to growth.

Real GDP grew at 3.9 percent in 1994, 2.6 percent in 1995 and was forecast to grow by 2.3 percent in 1996. The U.K. Treasury stands ready to raise interest rates again if necessary, but growth appears to be slowing. The government expects growth of about 3 percent in 1997.

With its emphasis on deregulation of industry, free trade and minimal intervention in the marketplace, the economic philosophy of the current U.K. administration is perhaps closer to that of the United States than to those of any of its European trading partners.

Since coming to power in 1979, the ruling Conservative government's specific policies have included the return to private ownership of state-owned industries, the reduction of both personal and corporate tax rates, and the abolition of capital controls and labour law reform. In addition, the Conservatives deregulated financial services, telecommunications, and transportation, liberalized mortgage regulations and transformed much of the public housing stock into owner-occupied dwellings. These changes have increased the efficiency and growth potential of the economy, and made the United Kingdom more competitive in world markets.

POLITICAL OVERVIEW

The United Kingdom of Great Britain and Northern Ireland is comprised of four national entities: England, Scotland, Wales (together making Great Britain), and Northern Ireland. The United Kingdom is a constitutional monarchy.

The constitution is largely unwritten, and almost all political power is vested in one chamber of the bicameral Parliament—the House of Commons. The other chamber, the House of Lords, consisting of hereditary and life peers, as well as senior officials of the Church of England, has limited legislative powers. The House of Commons consists of 651 members—524 from England, 72 from Scotland, 38 from Wales, and 17 from Northern Ireland. Members are elected from specific geographic constituencies, each representing about 60,000 voters.

Because of population shifts, constituencies in England vary considerably over time. General elections are held no more than five years apart, the last having been held in April 1992. They are always held at a date of the government's choosing. The next election must be held by the spring of 1997.

As in Canada, the government, a cabinet headed by a Prime Minister, is formed by whichever party, or coalition of parties, that command a majority in the Commons. Legislation is passed by majority vote.

Administratively, the United Kingdom acts as a centralized state.

The national government, consisting of some 17 cabinet-level departments, plus smaller entities, is staffed by career, non-partisan civil servants. Only the 3 or 4 senior policy positions in each department (the Secretary of State, the Minister of State, and the junior ministers) are occupied by political appointees. They are drawn from the ranks of the ruling party in the House of Commons or the House of Lords.

Canada's relationship with the United Kingdom is, by almost every measure, the most extensive Canada has in Europe. Because of historical ties, and a shared institutional heritage, the relationship between the two governments has always been broadly based and included close consultation and co-operation in a number of areas.

In the course of the past 25 years, Canada and the United Kingdom have come to focus more on the pursuit of interests within their respective regions. Britain's entry into the European Community (now European Union) in 1973, and Canada's membership in the Organization of American States and the Asia-Pacific Economic Co-operation forum in 1989, and its participation in the North American Free Trade Agreement in 1994, have been important milestones in this process. The bilateral relationship nevertheless remains strong, and Canada and the United Kingdom have been leaders in efforts to strengthen the transatlantic relationship.

TRADE POLICY

The United Kingdom is Canada's 3rd largest commercial partner globally, after the U.S. and Japan, and the largest in Europe. The U.K. is also the 2nd largest foreign investor in Canada, and the 3rd largest export market.

Canadian companies tend to view the U.K. as the easiest country in Europe to penetrate and a stepping stone to other markets in the European Union. In the same manner, Canada remains an important gateway for British companies entering the North American market.

More than one third of Canada's exports to the European Union are sold in the U.K. However, in spite of a long history of shared political and cultural values, the terms of the trading relationship are increasingly affected by the EU in Brussels. The U.K. is Canada's 3rd largest market for exports. It is a major market for Canadian primary products and is a growing market for manufactured goods and services. As well, the London financial market is a vital source of international capital for equity and indirect investment activity in Canada.

Bilateral merchandise trade, which has remained relatively constant over the past 7 years, increased by 11 percent in 1995, amounting to \$9.2 billion. Canadian exports for 1995 totalled \$3.7 billion, an increase of 8.9 percent, while imports increased by 6 percent to \$5.5 billion, resulting in a \$1.8 billion trade deficit for Canada.

A review of Canadian performance indicates strong economic links in a process of evolution. Canadian merchandise exports are shifting steadily

to value-added products and to services whose combined ratio to total exports has grown in 10 years from 10 percent in 1983 to over 40 percent in 1994. When tourism services are added to business services, this ratio increases from 28 percent in 1984 to over 50 percent 10 years later. During that period, exports of manufactured products, services and tourism receipts have increased by 121 percent, 131 percent and 110 percent respectively.

Despite a sharp increase in shipments of lumber and forest products, natural resources remain the most important items in Canada's export profile, with metals and minerals accounting for over one third of annual shipments, and forest products approximately one quarter. Canada's success of the mid-1980s in promoting wood-frame house construction has been set back by access difficulties surrounding plant health regulations.

The U.K. is Canada's 2nd largest source of foreign direct investment with 1995 holdings estimated at \$16.5 billion (9.8 percent of total foreign direct investment in Canada). Britain holds 41 percent of European investment in Canada, followed by Germany at 12 percent. U.K. investors hold over \$23 billion in Canadian bonds.

Canadian direct investment in the U.K. at the end of 1995 stood at \$13.8 billion (9.7 percent of total Canadian direct investment abroad). From the U.K. perspective, Canada ranks 6th as a source of investment but is considered the 2nd largest foreign employer after the United States. More than 200 Canadian companies are established in the U.K.

HOUSING SECTOR

Overview

The United Kingdom had an estimated 23.25 million households within a population of 59.96 million inhabitants as of 1995. In the previous year, a total of 24.8 billion ECU (1 ECU = £ 0.774) had been allocated to new housing (9.75 billion ECU), renovation and housing rehabilitation (15.05 billion ECU).

Local Technology

The trade deficit for timber and timber products used in all applications other than pulp and paper reached £2 billion, 12 percent of the total U.K. trade deficit. Approximately 90 percent of the lumber used by the construction and carpentry sector is currently supplied from imported sources. Just under 50 percent of wood panel products are home-grown and produced in the U.K. The overall market share distribution for lumber and wood panel products used in U.K. construction and carpentry applications is shown in the following table.

Table 1:
Overall Market Share Distribution for Lumber and Wood Panel Products

Lumber, imported	65 %	4,653,000 m	1990
Lumber, home-grown	5 %	398,000 m	1990
Wood panel products, imported	16 %	1,158,000 m ³	1993
Wood panel products, U.K. produced	14 %	86,000 m ³	1993

Wood-frame construction has progressively become accepted in the U.K. considering its flexibility, energy-saving and low maintenance advantage. Forecasts see the small share of wood-frame construction in total housing starts increasing in the medium to long term. It is believed that wood, as a building commodity, will tend to gain more from the environmental trend than from the difference in prices.

Five years ago, the price of wood-frame constructions was at £580 m² compared to £633 m² for typical English brick building types. Due to the prevailing over-capacity that currently exists in the U.K., brick and block housing contractors have reduced their cost/price ratio to match wood-frame housing costs. Prices for brick and block houses have dropped to approximately £423 m².

Wood-frame Housing Market Characteristics

The wood-frame industry is the highest valued production sector in the U.K. This sector uses large timber sections, softwood lumber, wood panel products and miscellaneous components (such as doors, windows) for the construction of timber-frame walls, flooring and roof components. The estimated value is approximately £233 million annually, or 10 to 12 percent of the U.K. low-rise domestic construction output.

As shown in Table 2, 7 to 8 percent of the annual average of new housing starts in the U.K. fall into the wood-frame/modular category. However, marked diversity prevails amid the regions.

In Scotland, which accounts for approximately 10 percent of the overall housing market in the U.K., wood-frame housing exceeds 40 percent of the total market while its current share in England and Wales stands at 4 percent each. In 1983, wood-frame housing received negative press coverage across both regions. As a result, the wood-frame housing market literally collapsed, even though the adverse publicity was subsequently discounted. The reputation of wood-frame housing has yet to recover.

General opinion suggests the use of wood-frame housing will gradually increase due to the many advantages this type of construction has to offer, namely shorter construction time and better insulation properties. Legislation to raise minimum insulation standards of new housing and the U.K.'s value-added tax on heating fuels will likely become strong incentives for contractors to adapt and opt for diversification.

Table 2:
Wood-frame Market Share Evolution in the UK*

Country	1984	1986	1990	1992	1993	1994	1995
England	11 %	4 %	3 %	4 %	3 %	2 %	3 %
Wales	17 %	4 %	6 %	5 %	5 %	5 %	4 %
Scotland	38 %	32 %	42 %	44 %	44 %	42 %	40 %
Northern Ireland	25 %	9 %	4 %	3 %	3 %	2 %	1 %

* Regional wood-frame starts vs. total housing starts analysis.
Source: NHBC

The use of wood-frame construction is more popular with larger projects. This includes hotels and motels, hospitals and clinics, classrooms, tourist information centres and holiday homes. Approximately 30 percent of wood-frame outputs, in terms of volume, is devoted to non-housing projects. The wood-frame market share within the area of large construction projects is currently valued at £203 million. Local manufacturers foresee good potential for wood-frame construction, particularly within non-domestic projects.

According to HSD (a firm of architects located in Rickmansworth, Herts), large bespoke detached housing, such as the type of housing delivered by Scandia-Hus, represents a growing market for high-income clientele who typically turn to architects and contractors and who can afford to purchase land. Scandia-Hus luxury homes, considered expensive, sell for about £250,000.

According to the Bristol *BPIB* (Bureau de Promotion des Industries du bois—Europe), log home potential is rather limited. Demand comes mainly from Scotland, Northern England and Wales, where this type of housing blends in well with the landscape. Small companies control the log home sector.

Housing Components (windows, doors and flooring)

Housing components form a sizeable industry with an estimated value of close to £800 million annually. In 1993, the distribution of major products within the industry registered as indicated in Table 3.

Table 3:
U.K. Component Production & Value

	Component production (thousand units/year)	Value (£ M)	
Doors (interior)	8,000	160	52 %
Doors (exterior)	1,250	125	8 %
Staircases	250	60	2 %
Wood-frames	1,000	223	6 %
Trussed rafters	2,000	45	13 %
Windows	3,000	180	19 %

Source: Timber 2005 Strategy, Department of Environment

Windows

Table 4 shows window imports in the U.K. for 1995.

Table 4:
Windows, French Windows & Window Frames of Wood

Exporting Country	Tons	Value (£'000)
France	374	836
Irish Republic	528	1,270
Denmark	1,955	8,239
Sweden	437	1,708
Norway	1,937	7,844
Indonesia	870	1,327
Malaysia	101	141

Source: U.K. National Statistics

Doors

Table 5 shows door imports in the U.K. for 1995.

**Table 5:
Doors, Door Frames & Thresholds of Wood**

Exporting Country	Tons	Value (£'000)
Italy.	1,837	5,479
Denmark	238	898
Portugal	3,552	3,991
Spain	1,108	2,593
Sweden	3,176	4,236
South Africa	7,663	7,442
Brazil	20,271	16,180
Indonesia	22,523	25,222
Malaysia	9,752	13,009
Singapore	1,135	1,668
Philippines	2,889	3,152
Other non-EU countries	n/a	10,000

Source: U.K. National Statistics

Flooring

Local specialists agree that wood flooring sales in the U.K., while small compared to Germany, have tripled in the past 2 to 3 years. Their main application is found in halls, but recent focus on health issues, such as asthma, has people turning away from wall-to-wall carpeting and opting for wood flooring, even in bedrooms. The bulk of wood flooring available on the market consists of laminate strips that are imported in kit form. This is also highlighted by the Contract Flooring Association in Nottingham, which observed that while the wood flooring market has been in decline, it is showing signs of growth since special lacquer finishes now available for wood finish result in lower maintenance needs. The *BPIB* suggests great opportunities are available for Canadian exporters of parquet flooring destined to the U.K.

Market growth has occurred in the last 2 years with laminate flooring in the 8 ft strip form. This includes nearly all floating laminates ranging from 7 to 22 mm thick which bear a hardwood surface usually made of beech, maple or oak. The greatest benefit laminate flooring has to offer is its price—£40/m² against £60/m² for solid strips.

In the U.K. flooring industry, Canada is best known as provider of specialty solid maple strip and block flooring (exports consisting mostly of unfinished solid maple strips). However, Canadian wood is not as heavily promoted as in the past. At present, the major leaders in wood flooring supply are:

- Tembec (Beaver and Red Deer brands.) Solid maple for sports flooring;
- Bruce (U.S.). Solid oak and laminate; and
- Tarkett (Swedish) and Junkers (Danish). Laminate Tarkett has managed to take a leading position in the U.K. market in under 4 years.

Currently, there are few market opportunities for wall panel products.

Housing Extensions (patios, porches and solariums)

The housing extensions (patios, porches and solariums) sector is buoyant but marked by aggressive competition. Hardwood is by far a favourite product. Overall, this market has offered better opportunities in the area of general construction.

Lumber and Other Commodities

The U.K. relies on imports for 90 percent of its wood needs and 84 percent for construction timber. Notwithstanding the 50 percent increase forecasted for its forestry sector over the next 17 to 18 years, the U.K. might very well remain the most dependent part of Europe if wood consumption progresses at the rate expected. British dependence on imports will remain at its peak in the better grade category since the U.K.'s mild winters and frequent windy conditions create an impact on the quality, although not the productivity, of its own forest resources.

Lumber

According to *Timber 2005*, just over half of the U.K.'s softwood lumber currently goes into construction and carpentry. The value of these products amounts to approximately £740 million annually. Total consumption of softwood lumber is 9.76 million m³, distributed as shown in Table 6.

Table 6:
Total Consumption of Softwood Lumber

Construction	43 %	4,137,000 m ³
Carpentry	9 %	
Furniture	3 %	
Packaging	12 %	
Do-it-yourself	17 %	
Fencing	6 %	
Other	10 %	

Table 7 indicates the use of lumber products within the construction industry:

Table 7:
Use of Lumber Products

Renovation	11 %	1,047,000 m ³
Large timber structures	4 %	
Temporary works	9 %	
Timber housing frames	4 %	
Tiling battens	2 %	349,000 m ³
Roof trusses	5 %	
Floor boards	1 %	
Floor and ceiling joists	7 %	648,000 m ³

Wood Panel Products

Of an approximate 4.5 million m³ total consumption in 1993 (about £900 million annually), some 48 percent was U.K.-produced. Chipboard and medium density fibreboard (MDF) are the two main types of wood panels produced in the U.K. The relative consumption of the various

wood panel types currently used is shown in the following table.

Table 8:
Consumption of the Various Wood Panel Types

Chipboard	57 %
Hardboard	3 %
Cement-bonded particle board	1 %
Plywood	27 %
MDF	10 %
OSB	2 %

While Canada has previously been the main exporter of lumber to the U.K., in recent years Sweden and Finland have succeeded in gaining the majority share due to exchange rate fluctuations that make their lumber cheaper. As well, products from these countries have now attained Canadian quality standards. Imports from Russia, a large potential exporter to the U.K., have nonetheless declined mostly due to the economic problems currently affecting that country.

All forestry products destined for structural work (lumber and wood panel products) are now required to meet U.K. standards or those established by the European Union, either through a Canadian grading agency or by certification from the British Board of Agreement.

An increasing portion of the U.K. retail chains are seeking sustainable forestry sources. This will become a significant issue and Canadian suppliers will need to turn to their forestry trade associations if potential customers seek such requirements.

HOUSING MARKET ACTIVITY, NEED AND DEMAND

Local Housing Activities

According to Euroconstruct, after the steady growth in public housing observed in the early 1990s, a trend that was bolstered by an increase in government grants, a sharp decline is expected as cuts in government funding will progressively have an impact. Despite a growing share of private sector funding going into public housing, these increases are not likely to offset the cutbacks in government funding.

Although there was an increase in private housing starts in 1994, the first time since 1988, recent data suggests a bleak short-term outlook for private residential construction starts. After a modest revival in 1994, housing prices remain on a downward slope and a 14-percent decrease in housing starts was registered for the first half of 1995 over the same period in 1994.

New Residential Construction

An average growth rate of 1.5 percent in residential construction is forecast over the 1997-2000 period. Housing completions are expected to reach an average of 188,000 annually, an improvement over the early 1990s. This is slightly lower than the average observed in the early to mid-1980s.

The medium term outlook for private output, which accounts for close to 75 percent of the overall residential activity in the U.K., is modestly promising. After a slight dip to 145,000 in 1995, completion forecasts for the year 2000 reach approximately 155,000 annually, while over the same period, output growth is expected to average about 1.5 percent annually. In the public sector areas, a fairly steep fall in outputs between 1994 and 1997 will precede a 2-percent increase combined with a yearly average of 34,000 completions.

Among the broad range of demographic trends to be expected will be changes in the structure of households. The traditional "married couple" household is on the decline and is expected to fall

from an estimated 10.5 million in 1991 to 10.2 million in 2001. In turn, a modest increase in the number of "common-law couple" households is expected while "single parent" and "single person" households are predicted to skyrocket from 981,000 in 1991 to 1.2 million by 2001. Consequently, demand for smaller houses is also bound to move upward in both the public and private sectors.

Considering the higher real income growth forecast, residential housing delivers a bright picture beyond the short term, although the extent of such a favourable impact has yet to be quantified. Many households have already experienced the plunge in housing prices. This trend has altered the economics of housing demand. Without steady inflation in housing prices, the investment incentive that normally motivates early real estate transactions no longer exists. According to the U.K. Department of Environment, 729,000 households were plagued with negative equity averaging £4,000 in 1994.

Housing associations have taken over the public housing market with their building programs. These are financed in part by the government which is currently undertaking fiscal austerity measures in an attempt to address its deficit. Consequently, government funding will be down to £1.1 billion in 1997-98 as compared to the £1.5 billion granted in 1994-95. By doing so, the government hopes to see housing associations secure a larger share of private funding (current ratio is 50:50) in order to maintain their present level of starts and completions. Housing completions and forecasts for the period 1994-2000 are shown in Table 8.

Repair and Maintenance

Over the medium term, the housing repair and maintenance sector is forecasted to grow by an annual rate of 1.5 percent, which would lead outputs in the year 2000 below the record set in 1989. All told, this bearish outlook has much to do with the behaviour predicted within the private housing market.

Table 9:
Housing Completions and Forecasts (in thousands)

Housing	1994	1995	1996	1997	1998	1999	2000
1 + 2 Family dwellings	147.0	154.0	146.0	148.0	150.0	152.0	150.0
Flats dwellings	33.0	34.0	35.0	37.0	37.0	39.0	38.0
Total dwellings	180.0	188.0	181.0	185.0	187.0	191.0	188.0

Source: Euroconstruct, European Construction to 2000, October 1995

Due to the downward trend in housing prices, struggling real income levels, and other negative influences such as job insecurity, the area of housing repair, maintenance and improvement remains weak. The number of housing transactions serves as a key factor to assess renovation activity since homeowners, as a rule, tend to repair and renovate prior to, or more commonly after moving. These transactions have been scarce and it is likely that they will slump to close to 1 million in 1995 compared to the 1988 peak of 2.1 million. Private housing turnover, converted to a percentage of the overall owner-occupied stock, has plunged below the 10-percent mark from its approximate 15-percent share of the late 1980s. The average household now moves once every 10 years as compared to once every 6 years in the late 1980s. Given the link between repair, maintenance, and improvement output and household moves, the slow progression in this sector is no surprise.

In the public housing sector, forecasts are equally stagnant. These are based on the assumption that local authorities, which own and manage most of the public housing stock, will remain frugal until the end of the decade. Recent government plans bring capital expenditures by local authorities down to £6.9 billion in 1995-96, £6.5 billion in 1997-98 and little change is anticipated from then to the year 2000 as opposed to £8 billion in 1994-95.

Factors Affecting the Demand for Housing

After having grown by an average of close to 195,000 people annually in the early 1990s, the population of Great Britain is now expected to grow by almost 200,000 people each year between 1995 and 2000 as compared to the annual increase of just over 110,000 registered in the 1980s. The projected rise is a result of the greater number of births, decrease in deaths and higher net inward migration. The sharpest increase of the 1990s is expected within the 30-65 age group while the 16-29 age group population will have dropped substantially by the end of the decade. This drop is the leading cause behind the predicted modest increase in the number of households over the next few years.

A general election is set to take place before mid-1997. Whichever party wins, economic policy will remain focussed on controlling inflation and reducing the fiscal deficit over the medium term. The measures undertaken will aim to prevent unsustainable high growth rates as well as maintain downward pressure on government spending. Regardless of which political party wins the 1997 general election, the need to restrain public expenditure should not preclude government policy from favouring mixed funding for construction and infrastructure projects. However, uncertainty currently prevails with larger mixed-funded infrastructure projects. The most plausible outcome is a slow take-off mode with a few large construction projects starting before the end of the decade.

EXPORT OPPORTUNITIES AND STRATEGIES

Canadian Trade Patterns

For years, the United Kingdom has traditionally been Canada's top customer among the Western European countries with exports totalling US\$260 million in 1995 for selected housing sector related product categories. However, this represents a 43-percent decrease over the peak reached in 1992, but nonetheless a 12.5 percent increase over 1994. Total imports in the U.K. for these selected products reached US\$4.7 billion in 1995, a 12-percent increase compared to 1992.

Overall, Canada's market share of the total market for imports in the U.K. has declined from 11 percent in 1992 to 6 percent in 1995. And 1992 was a record year due to peak coniferous timber exports: US\$376 million in 1992 compared to US\$159 million in 1995, a 58-percent decrease.

Commodities account for the bulk of Canadian exports to the U.K.: coniferous lumber (US\$159 million) and non-coniferous lumber (US\$25 million), plywood (US\$35 million), non-coniferous worked wood (US\$5 million), and items made of glass fibres (insulation, etc. US\$5.7 million) totalled 88 percent of all Canadian exports to the U.K. in 1995. Major manufactured products are doors, frames and thresholds made of wood (US\$3 million), aluminum doors, windows and frames (US\$3 million), builders' joinery (US\$3.6 million), electric signalling apparatus (US\$3.4 million) and prefabricated buildings (US\$3.3 million).

Canada's major exports are:

- Plywood, with a 19 percent market share in 1995 compared to 15 percent in 1992, which makes Canada the leading trade partner for plywood in the U.K., ahead the United States and the Brazil.
- Sawn coniferous wood, with a 12-percent market share in 1995 (down from a 29-percent high in 1992), sawn non-coniferous wood, with a 9-percent market share in 1995 (up from 4 percent in 1992). Canada had been the leading trade partner for sawn non-coniferous

wood in the U.K. but lost its lead to Finland in 1995. Canada is now the second major trading partner.

- Aluminum doors, windows and frames, with a 11-percent market share in 1995, up from 5 percent in 1992.
- Prefabricated buildings, with a 10-percent market share in 1995 (up from 7 percent in 1992). Extensive competition comes from France, the Netherlands and the U.S.
- Shingles and shakes, with a 71-percent market share, but limited to US\$0.75 million.

Over the 1992-95 period, among the selected categories of products, the fastest growing and most significant trade patterns in Canadian exports destined to the U.K. are shown in Table 10.

Table 10:
Fastest Growing and Most Significant Trade Patterns in Canadian Exports to the U.K.

Articles made of glass fibres, insulation	X50
Air heaters	X15
Coniferous veneer	233 %
Non-coniferous veneer	163 %
Plastic builders' ware	144 %
Sawn non-coniferous wood	78 %
Sawn non-coniferous worked wood	53 %

Also pertaining to total imports in the U.K., the fastest growing categories of products over the 1992-95 period were as indicated in Table 11.

Table 11:
Fastest Growing Categories of Products Among Total Imports, 1992-95

Wall-type air conditioners	277 %	US\$33 million
Air conditioning units	44 %	US\$181 million
Table and roof fans	66 %	US\$41 million
Electric signalling apparatus	158 %	US\$596 million
Non-coniferous worked wood	80 %	US\$78 million
Wood ornaments	52 %	US\$63 million
Plastic builders' ware	40 %	US\$101 million
Wood windows and frames	39 %	US\$35 million

Local Industry and Foreign Competition

The Nordic countries are Canada's major competitors for forestry-related products. Not only do these countries benefit from abundant natural resources and modern technology, but also from their duty-free access under the European Free Trade Association (EFTA), and more recently, by joining the ranks of the European Union (Finland and Sweden). Furthermore, their competitive edge has improved dramatically due to the 1992 currency devaluation, which after a three-year period of high inflation, is now equalized. Nordic sources have also benefitted from not being subject to the EU plant health restrictions that require heat treatment for green Canadian timber.

Wood-frame Housing—Local Industry

Most wood-frame units produced in the U.K. are handled by highly automated and technically advanced local companies. In fact, the U.K. wood-frame industry has converted to computer-aided design and manufacturing (CAD/CAM), and consequently are ahead of most of their Canadian counterparts. Industry leaders include:

- Calders and Grandidgem (Boston) and Gimson, now Raab Karcher (Leicester) are the two leading suppliers of wood-frame kits sold and manufactured in the U.K.;
- Wimpey Homes—Midlands (Birmingham) build approximately 1000 wood-frame houses per year in Scotland;
- Laings are the market leaders for wood-frame housing in England and Wales;
- Bullock and Drifill (Bottesford) make their own frames from British and Swedish lumber. This company holds three divisions: roof trusses (largest producer of roof trusses in the U.K.), wood-frame housing, and lumber sales; and
- Potton Ltd. (Beds) operate a factory in Gransden employing over 100 employees. Potton exports housing to Japan for approximately £170,000 apiece. Potton is also involved in wood-frame hotel and student accommodation projects.

Other companies are:

- The Walker Timber Group (Bo'ness) (the largest)
- Purpose Built Ltd. (Malvern)
- Rowlinson Timber Components Ltd. (Nantwich)
- Wernick (Swansea)
- Elliot Medway Ltd. (N. Humberside)
- Guildway, Borden, Hants

The above companies are all part of the factory-produced wood-frame housing industry and use U.K.-produced finished materials almost exclusively.

Most members of the Lumber & Brick Association are satisfied with the current business environment. This attitude reduces interest for potential partnerships with Canadian companies.

In Scotland, where most of the U.K.'s wood-frame housing is located, the SCOTFI (Scottish Consortium of Timber Frame Industries) in Stirling is busy promoting the industry, and suggesting that there is still room for growth. SCOTFI members include major wood-frame systems manufacturers such as Stewart Milne (Aberdeen), Walker Timber (Bo'ness), Torwood Homes (Livingston), Beaver Home Group, and Wimpey.

Wood-frame Housing—Foreign Competition

The following is an overview of foreign competition in the U.K. wood-frame housing market:

- Scandia-Hus (East Grinstead, Sussex) is an independent company who builds wood-frame systems with brick or timber clad, using pressure-injected timber. This company buys its timber mainly, but not exclusively, from Sweden for kit manufacturing at their Welsh facility.
- Artichouse—Finnframe (Byfleet, Essex) builds systems-built frame housing. Sales are directed to the self-builder and to contractors.
- Scandinavian Timber—Harrow (London) were involved, a decade or two ago, with systems-built wood-frame housing (brick-faced). They now focus on factories, office

buildings and hospitals and serve a clientele keen on wood used for interior cladding who incidentally prefers low-maintenance aluminum for the exterior.

- Norwegian Log Chalets (Reading) manufacture structural log construction kits. This company does not seem to encounter any problems from bad publicity nor from log-settling issues.
- Finland—Finwood (U.K.) (Auchterarder) is a subsidiary of the very large Finnish timber building group known as Honka Rakene; Finwood is a small company of 12 employees active in the sale and building of log chalets and homes. Chalets are generally destined to commercial use.
- Canada's success of the mid-1980s in the promotion of wood-frame housing construction has been curtailed by access difficulties brought on by the enforcement of plant health regulation.

Flooring—Local Industry

Members of the U.K. flooring contractors' association are taking advantage of renewed market activity. Several of these companies are:

- Variety Floors (Oxford), producers of hardwood strips for sports hall use.
- Mason Flooring (Sutton), producers of hardwood flooring.
- Fitchett and Woollacott (Nottingham).

Flooring—Foreign Competition

Foreign competition in the U.K. wood flooring market originates mainly from Scandinavia and the United States.

- Scandinavian sources such as Tarkett and Carr Floors supply all wood types, mainly 15 mm floating. Tarkett, major leaders in the industry, have all their wood flooring produced at their parent company facility located in Hanaskog, Sweden. The product may then be delivered from their central warehouse located in Germany directly to clients in the U.K. in kit form, offering next day delivery. They also sell wood blocks and herring bones on a

smaller scale. Homebased "Do-it-yourself" stores are also major outlets.

- Bruce, an American company, supplies mainly 8 mm stuck-down hickory, white and red oak and maple products as well as some solid stripping. Bruce uses their service centre in the U.K.

Industry Groups and Research Centres

Many U.K. industry groups and research centres support and represent the U.K. housing industry. Most of them have contributed to the recently published "Timber 2005" strategy:

- the British Woodworking Federation;
- the BPIB (Bureau de Promotion des Industries du Bois), responsible for promoting and providing technical assistance regarding timber provided by Canada's five Eastern provinces;
- the Council of Forest Industries (COFI);
- the Nordic Timber Council;
- the Scottish Consortium of Timber-Frame Industries;
- the Timber and Brick Homes Consortium;
- the U.K. Softwood Saw Millers Association;
- the British Wood Preservation and Dampproofing Association;
- the Wood Panel Products Federation;
- the NHBC in Amesham;
- the TRADA (Timber Research and Development Association), founder of the Timber Industry Alliance promoted by the Department of Environment;
- the Building Research Establishment; and
- the Building Regulation Division of the Department of Environment and the NHBC which are the two major regulatory bodies in the U.K.

The Construction Sponsorship Directorate within the Department of Environment is committed to developing innovative approaches for all sectors of the construction industry. The CSD has recently prepared and published the *Timber 2005* strategy entitled: "Timber 2005—A Research and

Innovation Strategy for Timber in Construction—in partnership with the U.K. timber industry and users of wood in construction”. *Timber 2005* aims to maximize use of this sustainable resource through:

- a competitive U.K. timber industry;
- client satisfaction and quality of life; and
- public awareness of environmental and other issues relating to the use of timber products.

This strategy is aimed at removing all barriers and highlights the benefits of the use of wood in the construction industry.

Timber 2005 suggests that further research is required in the U.K. to ensure the suitability and identify the benefits of timber systems. These factors need to be addressed in order to meet the trend towards improved on- and off-site construction processes. This could very well constitute an opportunity for the transfer of Canadian expertise and technology.

Opportunities

The Canadian Embassy in London has also identified niche products with potential for the U.K. market: integrated equipment (hardware) into wood-frame housing (e.g., ventilation, energy consuming devices and other specialty products) developed in cooperation with U.K. large engineering and exporting companies (e.g., products based on very cold weather).

Specific opportunities are also available in a wide range of specialized product groups, including:

- parquet flooring;
- Canadian wood window systems consisting of dual pane glass and wood-frames clad with vinyl or aluminum outer protective coatings;
- Canadian standard lumber (CLS) for use by prefabricated material manufacturing companies; and
- wood shingles and shakes.

Canadian Strengths and Weaknesses

The key challenges currently faced by Canadian housing exports to the U.K. have been identified as follows:

- a stagnant housing market and local over-capacity currently prevail;
- Canadian housing products have a much lower profile than those of Scandinavia;
- Canadian lumber exporters are faced with heat treatment regulations for green wood;
- chances are scarce that modular parts exports to the U.K. would be cost-effective since local and foreign competition is already in place and because of the low yearly volume of wood-frame housing constructions (the Scottish market being the exception); and
- higher value-added Canadian forestry products are subject to tariffs reaching 7 percent until 1999 when their elimination will lead to improved access.

Strategic Approach

Canadian wood product exporters need to improve their image in U.K. markets.

Traditionally, the chain-like, agent/importer/distributor/final sales outlet approach has been used as a distribution channel for the U.K. solid wood products market. However, this costly process must be approached differently as some of the major U.K. customers tend to combine some of the channels, particularly in the case of high volume materials. As a rule, the appointment of a representative agency hired for marketing purposes has become a necessity. The Canadian Embassy in the U.K. can suggest potential candidates.

The U.K. market has numerous trade shows, technical conferences and industry associations. All are good entry vehicles to the U.K. housing market.

Canadian exporters must also take note of the growing concern over the environment and the green consumerism trends growing in the U.K. Both trends are becoming a major issue for marketing forestry products in the U.K.

BUSINESS ENVIRONMENT

Business Customs

The traditional rigidity of the British social class structure has been diminished by social and economic developments over the last two decades. Government grants have permitted universal access to higher education and have thus enhanced social mobility. Increased liberalization of the market-place and the greater competition induced have rewarded enterprise, and a new generation of professionals schooled in North American management, marketing and finance techniques are increasingly taking the helm of British business.

The significance of being “British” has evolved in recent decades as immigration progressively altered the ethnic mix. Minorities, which now constitute over 5 percent of the population, are growing. British business contacts might well be individuals who are ethnically Indian, Pakistani, Arab, African or other descent; they bring a welcome vitality to the business culture.

Canadian exporters should be aware that the relative ease of communication with British clients may disguise the fact that there are some fundamental cultural differences. While variances in pace and style will be most noticeable, exporters should avoid making quick assumptions concerning business relationships until on-the-ground experience has been gained. As in most overseas markets, there is no substitute for sustained personal contact with potential business partners.

The most important characteristics of British business etiquette are punctuality and courtesy. Prompt acknowledgement of the receipt of letters is expected, for example. Delivery terms, as well as appointment schedules, are expected to be maintained.

Titles, when known, should be used in all correspondence. For expeditious handling of correspondence, airmail or fax should be used. It is advisable to address commercial solicitations to the firm, rather than individuals.

British company executives will communicate more often by writing letters, telexes, and fax messages than do most Canadian executives, who

tend to rely more on the telephone. British executives are far less likely to seek legal advice and guidance than their Canadian counterparts. Only as a last resort will the U.K. executive consult a solicitor, while the Canadian may use an attorney as a business advisor.

“Working” breakfasts are far less common in the United Kingdom than in Canada. Luncheons are more appropriate as a form of business meetings. Developing relationships with U.K. executives that extend beyond business matters into social affairs will take time and is not guaranteed. Under such circumstances, the business aspects of the relationship would be completely subordinated to the social elements. Gift giving or exchanging is not a normal business custom.

Business hours in the United Kingdom correspond closely to those in Canada. Banking hours are generally from 9:30 a.m. to 3:00 p.m., Monday through Friday, except on Thursday when banks stay open later. Offices are open from 9 a.m. until 5 p.m., while stores are open from 9 a.m. to 5:30 p.m. In the vacation months of July and August, many British executives are not available except by advance appointment.

The United Kingdom is on Greenwich Mean Time (GMT). London changes to daylight savings time on the last Sunday of March and reverts back to standard time on the last Sunday of October. London is five hours ahead of Eastern Standard Time. Scotland, Wales, and Northern Ireland are on the same schedule.

The British Government has modified regulations governing the admission of visitors for business purposes and economic immigration to the United Kingdom. The changes, outlined below, limit the ability of some foreign nationals, including Canadian citizens, to reside in the United Kingdom.

The categories of employees under the new immigration rules which will directly affect the business community are:

- businessmen and self-employed persons; retired persons of independent means; and
- investors; and short-term business visitors.

According to the modified regulations, persons establishing a new business must be investing at least US\$300,000 of their own money in the company, or, alternatively, they can invest a similar amount in an ongoing concern. In either instance, the person must be occupied full-time in running the business. Simple property investment will not necessarily suffice to obtain resident status (indefinite leave to remain status) in the United Kingdom.

The major holidays observed by most businesses in England and Wales are listed in the following table:

Table 12: Holidays—England and Wales	
January 1	New Year's Day
First Monday, January	Bank Holiday
March/April	Good Friday
March/April	Easter Monday
First Monday, May	May Day
Last Monday, May	Spring Holiday
Last Monday, August	Summer Bank Holiday
December 25	Christmas Day
First weekday after Christmas	Boxing Day

Scotland observes the above except Easter Monday, Spring Holiday in May, and Summer Bank Holiday in late August, and the holidays listed in Table 13.

Table 13: Holidays—Scotland	
First Monday, April	Spring Holiday
Third Monday, May	Victoria Day
First Monday, August	Bank Holiday
Third Monday, September	Autumn Holiday

In addition to the holidays listed in Table 12, the following holidays are observed in Northern Ireland:

**Table 14:
Holidays—Northern Ireland**

March 17	St. Patrick's Day
March/April	Easter Tuesday
July 12, 13	Orangeman's Day

Business Infrastructure

Some expressions and words have different meaning than those accepted in Canada; therefore, for clarity of meaning in correspondence, care should be given to use the appropriate terms.

Distribution and Sales Channels

The United Kingdom has a well-developed network of import channels. British importers are well versed in foreign trade and have long experience in handling all types of products. Import channels vary with the nature of the product. Selection of an appropriate marketing channel is of critical importance to the success of any export marketing venture.

Channels through which foreign goods move range from the branch offices of overseas manufacturers to import houses that purchase abroad and sell on their own account. Between these two extremes are sales agents (some of them manufacture equipment similar to the products they import), commission agents, specialized importers, brokers, and importing distributors. Frequently, larger business firms engaged in manufacture or domestic trade buy directly from overseas suppliers, while smaller firms find it more convenient to buy through intermediaries.

Industrial equipment is generally handled by sales agents. In the case of capital goods and raw materials, direct selling is sometimes employed by foreign manufacturers, since the range of buyers is more limited. The distinction between the various types of import channels is not clear cut. Considerable variation exists even within a single group of products.

A recent development is the appearance of organizations that take care of the costing, warehousing, distribution, pricing, and factoring (guaranteeing of manufacturers' invoices) of import goods. These firms—sometimes referred to as "importers/factors"—began as forwarding agents. As market conditions changed, they

gradually extended their activities. Today, importers/factors still provide shipping, forwarding, and customs clearance services.

Developing sales is still the responsibility of exporters. They can hold inventories and control sales in the United Kingdom through the use of these importers/factors, thus dispensing with subsidiaries.

Larger U.K. distributors have an annual turnover which greatly exceeds the average manufacturer. Consequently, they expect that foreign manufacturers will already have their products adapted for local sale and use. This is especially relevant for the mass marketing of computers.

Distribution methods of Canadian companies selling to the U.K. market vary with the product, and depend on the firm's knowledge of local market conditions. Generally, firms new to the U.K. market find it more convenient to appoint one distributor to cover the whole country. Later, in order to achieve greater market penetration, they often appoint other regional distributors.

Finding a Partner

The United Kingdom has rules and practices concerning agency agreements. Companies should obtain legal advice in the United Kingdom, to ensure that they are in compliance with local U.K. laws and business practices.

National laws governing the relationships between agents/distributors and manufacturers/suppliers are being harmonized throughout the European Union. The EU Directive, which is the basis of these laws, establishes the rights and obligations of the principal and its agents, the agent's remuneration, and the conclusion and termination of an agency contract. Each member state can choose between two options for compensation in case of termination of a contract: indemnity (based on past and anticipated performance) and damages (based on immediate costs at the time of termination).

The Directive, concerning EU-based contracts, has been effective since January 1994 and applies to anyone who is "self employed" and has authority to negotiate and conclude sales or purchases of goods on behalf of a principal. With this broad definition, the Directive covers a wide variety of

business people ranging from sales representatives to territorial sales agents.

General duties of the agent, outlined by the Directive, include negotiating and concluding transactions as well as communicating to the principal all necessary information. The responsibilities of the principal include providing the agent with adequate documentation on the goods covered and keeping in close contact with the agent on any commercial transactions involving both parties.

The Directive also sets rules pertaining to payment, conditions regarding commission, and the circumstances for termination of the agency contract. Prospective agents overseas normally have standard agency agreements that they sign with foreign manufacturers.

Joint Ventures and Licensing

Joint venture and licensing agreements are common practice in the United Kingdom.

Establishing an Office

Establishing an office in the United Kingdom is relatively inexpensive and straight-forward. A wide range of support services are available to assist in this task. The appointment of a local representative already established in the market and experienced in the ways of doing business in the United Kingdom, is a simple task. The Invest in Britain Bureau of the British Department of Trade and Industry offers help to those interested in investing in the United Kingdom.

Selling Factors and Techniques

The U.K.'s Competition Act of 1980 governs agreements such as exclusive agency, exclusive chain selling, exclusive supply arrangements, exclusive purchasing contracts, restrictive terms, and other related matters. Manufacturers and exporters are able to appoint exclusive agents and to determine the method of distribution. However, they may not prevent the import or sale of competitive goods from other sources, including parallel, or "grey" imports from dealers and distributors in other countries.

Practices of concern under the Act are those anti-competitive measures that restrict the production/distribution pattern to benefit the

manufacturer by making it difficult for competitors of the manufacturer's appointed agents to attract customers or suppliers. Such restrictions may make it difficult or impossible for new competitors to enter a market and may be subject to challenge under the Competition Act.

On the other hand, "vertical restraints" may improve the efficiency of distribution without harming competition. Such circumstances would not amount to an anti-competitive practice under the Act.

Anti-competitive practice is defined in the Act as a course of conduct pursued by a person in the course of business that has, or is intended to have, the effect of restricting, distorting, or preventing competition in connection with the production, supply, or securing of goods or services in the United Kingdom, or any part of it.

The Act does not apply to agreements between a U.K. resident and a non-resident. These agreements are generally covered by contract law, which takes a laissez-faire approach to terms and conditions freely agreed upon between the parties.

The European Union has adopted legislation establishing the obligations and conditions of European agents and their foreign suppliers. The purpose of this legislation is to harmonize the laws and provisions of the member states.

The directive also establishes conditions regarding remuneration of the agent and the conclusion and termination of the agency contract. To date, implementation of the directive has been slow, but Canadian firms entering into agency contracts in the European Union should be aware of the principles of the directive.

Changes to British law and the increased regulation of the principal-agent relationship will encourage exporters to determine carefully the most advantageous channel of distribution, and the ensuing legal responsibilities of all parties. Alternatives to the appointment of self-employed commission agents include the use of distributors or the hiring of salespersons as company employees. All forms of representation should be carefully explored with legal counsel.

Advertising and Trade Promotion

Print and other advertising designed for the North American market should be reviewed by a U.K. advertising agency or direct marketing house to modify promotions for legal, cultural, and other differences.

Advertising in the United Kingdom is highly developed and practices are similar to those of Canada. Several hundred advertising agencies operate in the United Kingdom, and most of the major North American agencies have a significant U.K. presence. The full range of specialist advertising and market research services is readily available.

The industry is self-regulating, with the Advertising Standards Authority, located at Brook House, 2-16 Torrington Place, London WC1E 7HN, overseeing the practices of the advertising industry and enforcing the provisions of the British Code of Advertising Practice (CAP). Advertisers should become familiar with the CAP regulations.

Of the approximately \$12 billion in annual advertising expenditures, 60 percent goes to press advertisements and 31 percent to commercial television.

The main vehicles for press advertising are the 130-odd national daily and Sunday newspapers. Of these, there are 12 dailies and 9 Sunday newspapers with national circulation. They are classified as either "quality" or "popular" papers on the basis of their style and content. With their immense circulation and deep penetration throughout the country, these newspapers are extensively used by manufacturers to advertise their products.

Total circulation of national newspapers is approximately 15 million on weekdays and 18 million on Sundays.

Commercial television programs are delivered on a regional basis, and advertisements may be run either regionally or nationally.

The state-sponsored British Broadcasting Corporation (BBC) does not accept commercial advertising on its radio or television stations. The quasi-governmental Independent Broadcasting Authority (IBA) regulates television advertising through its code of advertising standards and practices. In any one hour of broadcasting, the

commercial time is limited to nine minutes. However, the average hourly time for commercials per day cannot exceed seven minutes.

Pricing Products

The United Kingdom represents a strong competitive market with high receptivity to Canadian goods. When pricing products for sale in the United Kingdom, Canadian exporters need to be aware of some additional costs which could reduce profit margins below those available in Canada.

A value-added tax of 17.5 percent is charged on the majority of goods sold in the United Kingdom (with food and children's clothes the major exceptions). In addition, imported goods may be subject to customs duty. The costs of transportation, freight forwarding and customs brokerage charges will further diminish margins, as will commissions to agents and distributors.

U.K. retailers have tended to demand higher profit margins than those in Canada or the United States. However, increased competition from large European and North American chains, as well as the arrival of warehouse clubs, are beginning to eliminate excessive profits.

Sales Service and Customer Support

As an advanced economy, the United Kingdom offers a full array of sales and customer support services. A full array of market research services is available.

Selling to the Government

The U.K. government adheres to a general policy of "best value for money" in public procurement. In both central and local governments, there is a strong trend towards "out-sourcing" of services previously provided in-house. Most government departments are subject to the GATT MTN Procurement Code. This requires that tenders for public procurement over a specified value threshold must be advertised in a timely manner, and that bidders from GATT signatory countries should be given non-discriminatory treatment.

Urgency or national security reasons can be used to justify procurement outside GATT rules.

Since Great Britain has no official journal, procurement intentions are published in the EU Official Journal. In addition, trade publications and specialist bulletins are used to advertise future tenders for the procurement of equipment, works, or services that are industry-specific. Such tender announcements supplement EU Official Journal entries; they do not substitute for them.

Protecting Your Intellectual Property

U.K. intellectual property rights (IPR) laws are strict, comprehensive, rigorously enforced and conform to the harmonized approach to IPR adopted by the EU. The U.K.'s IPR positions in international forums, such as the World International Patent Organization (WIPO) and GATT negotiations, parallel those of Canada.

The U.K. has legislation also in effect for the protection of patents, trademarks, and industrial designs. The British Patent Office is responsible for the administration of the Patent Acts, the Registered Designs Act, and for dealing with issues related to the Copyright Acts. The United Kingdom is a member of the "Paris Union" International Convention for the Protection of Industrial Property (1958 Revision). Recent U.K. copyright law is designed to make copyrighting a more simplified, user-friendly procedure and has permitted the United Kingdom to join the Berne Convention.

Implementation by the United Kingdom of the 1989 EU Trademark Directive, which will establish a unitary trademark system for the European Union, will make it easier for U.K. trademark holders to obtain protection in other countries. The U.K.'s ratification of the Madrid Protocol on the international registration of marks will enable trademarks to be registered in all signatory countries with a single application.

A Single European Patent, valid throughout the EU, does not yet exist, since the Community Patent Convention has been ratified only by Germany and Greece.

Applications for patents and for design protection in the United Kingdom should be filed with the Comptroller, The British Patent Office (BPO), 25 Southampton Buildings, Chancery Lane,

London, WC2. Trademark applications should be filed with the Registrar, The Patent Office, Trade Marks Registry, also at the above address.

Private professional advice is normally provided by patent or trademark agents. The Chartered Institute of Patent Agents, located at Staple Inn Buildings, High Holborn, London WC1V 7PZ, telephone: (44-71) 405-9450, maintains a list of patent agents.

The Institute of Trademark Agents, at Suite 3-5, Panther House, 38 Mount Pleasant, London WC1X 0AP, telephone: (44-71) 833-0875, does the same for trademarks agents.

Some lawyers have a significant practice in trademark law, but it is not a legal speciality that many handle on a regular basis.

Most lawyers will consult a trademark or patent lawyer when necessary, but it is often easier for firms to deal directly with a patent or trademark agent.

Industrial designs can be registered and protected for 5 years from the date the application is filed. Registration is renewable for two terms of 5 years each. The same design may be registered for more than one article. Non-use of a design will not cause its registration to be cancelled, but a compulsory licence can be ordered if the design may also be subjected to secrecy restrictions similar to those enforced on patents for national security purposes.

Need for Local Legal Assistance

Circumstances in which a lawyer would be necessary are very similar to those in Canada. Several Canadian law firms maintain branches in London or work in co-operation with local British lawyers.

Regulatory Issues

The United Kingdom has international trading obligations under its membership in the European Union (EU), the General Agreement on Tariffs and Trade (GATT), the Organization for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF), and the United Nations Conference on Trade and Development (UNCTAD).

The U.K. presents no significant impediments to trade and investment or foreign ownership of corporate assets, nor restrictions on the free-flow of capital.

Formulation and implementation of EU standards and procedures can constitute a barrier to trade. Of particular current concern are EU efforts to define standards for “environmentally-friendly” products.

The ongoing EU harmonization of product standards, labelling, testing and certification requirements will substantially simplify Canadian exporters’ ability to offer a suitable choice of products across the Union, while reducing costs significantly.

However, the potential exists to use product standards as a means of restricting market access to non-EU manufacturers.

The United Kingdom is a member of the European Union which provides for a common external tariff, a common agricultural policy, a joint transportation policy, and the free movement of goods, labour, and capital within its member nations.

Most raw materials enter the U.K. duty free or at low rates of duty, while rates on most manufactured goods fall within a range of 5 to 7 percent. Customs charges are payable in British pounds sterling at the time the goods are cleared through customs. However, importers can arrange with U.K. Customs and Excise authorities to defer payment of certain duties and other charges for a 30-day period, provided that adequate security is given.

The U.K. applies a valued-added tax (VAT) on most goods and services, whether domestically produced or imported. The standard current rate is 17.5 percent. The VAT is imposed as a flat rate and is applied on the c.i.f. duty-paid value of the goods and services. VAT is paid when the goods enter the country or after the expiration of the deferral period granted to importers and forwarding agents, who must arrange for monetary guarantees. The ultimate consumer bears the full burden of the tax.

The VAT can be recovered on such business expenses as trade fairs and exhibitions, conferences, hotel accommodations, subsistence meals, and car rentals by foreign firms. A number of private companies in Canada, for a fee, offer VAT refund services, as do a number of U.K.-based companies.

Goods imported for exhibition may also be entered under bond, deposit, or ATA Carnet.

EDC Financial Risk Assessment

The Export Development Corporation (EDC) helps Canadian companies compete in world markets through the provision of financial and risk management services. These include export credit insurance, financing to foreign buyers of Canadian goods and services, and guarantees.

The following information was obtained from the EDC Country Risks and Opportunities book (fall, 1996).

Current Market Conditions

Economic growth in 1996 remains well below the government's target of 2.5 percent. Growth of the UK economy slowed to just .4 percent in the second quarter of 1996. Overall growth of 2.3 percent is expected this year. The outlook for 1997 is for growth to improve to 3 percent helped by an election bounce after the May 1997 election.

Manufacturing and investment activity continues to be weak. Contrary to the consumer sector, where retail sales were up 3.3 percent in the first half of 1996, neither the manufacturing sector or business investment spending have responded to lower interest rates. Industrial output fell in June 1996. Residential construction has also been flat and was expected to grow by just 1 percent in 1996.

Credit Quality Trends

Total insolvencies resumed an upward climb in the first half of 1996 after declining by 5 percent in 1995. Final estimates show a total of over 41,000 companies and self-employed persons became insolvent in 1995, a decline of just over 5 percent. However, based on preliminary data from the Central Statistical Office for the first half of 1996, company failure rates appear to have started to rise again. Despite an improved level of confidence, consumer dependent industries continue to register the highest levels of distress. Both the construction industry, and the retailing industry remain in a weakened state

despite some recovery in housing markets and improved income and employment levels.

Dun and Bradstreet Europe are forecasting that insolvencies across all of Europe will rise in 1996 as governments cut spending to pave the way towards a common currency in 1999. For the UK, this is expected to lead to an increase in bankruptcies of 1 percent in 1996. Larger increases are very possible in 1997 given that this is the year that European currencies will be benchmarked against each other for establishing the currency grid to support the new "Euro" currency.

Corporate profits continue to lag as price competition remains fierce. Despite the robust levels of consumer spending businesses remain very limited in terms of price increases. As a result, despite solid economic growth since 1992, corporate profits have yet to reach their pre-recession levels. A recent survey of 1,000 of the UK's top companies shows negligible growth in real profits. Indeed, the most recent data show that overall corporate profits expanded by less than 2 percent through the first half of 1996. Poor profit performance is largely the result of slow sales and difficult pricing conditions.

Unit labour costs have also remained in a low growth mode advancing by less than 2 percent on average each year since 1992. Good cost performance is expected to erode somewhat as lower unemployment rates point to a tighter labour market and increased wage growth in 1997. This possibility highlights another area of increased cost concern with regards to interest rates. The Bank of England has been voicing concerns that interest rates must be raised as higher wages may lead to a step-up in inflation. The government to date has ignored these pleas and indeed lowered interest rates against the banks wishes in June 1996. Certainly the government is adverse to increasing financing costs in the run-up to the election but if wages continue to rise they may be forced to respond.

Collection Experience

The overall collection experience in the United Kingdom is good. Open accounts are the usual trading terms. There are no credit or financial issues.

CONTACTS

Canada Mortgage and Housing Corporation

Housing Export Centre

700 Montreal Road
Ottawa, Ontario K1A 0P7

Tel.: 1-800-465-6212 or
(613) 748-2000
Fax: (613) 748-2302

Canadian Government Departments and Services

Department of Foreign Affairs and
International Trade (DFAIT)

InfoCentre
Lester B. Pearson Building
125 Sussex Drive
Ottawa, ON K1A 0G2

Tel.: 1-800-267-8376 or
(613) 944-4000
Fax: (613) 996-9709
FaxLink: (613) 944-4500
InfoCentre Bulletin Board:
Tel.: 1-800-628-1581 or
(613) 944-1581

Canadian High Commission in United
Kingdom

Europe Trade Division
Northern Europe (REN)
125 Sussex Drive
Ottawa, ON K1A 0G2

Macdonald House
One Grosvenor Square
London W1X 0AB
England

Tel.: (613) 995-9766
Fax: (613) 995-6319

Tel.: (11-44-171) 258-6600
Fax: (011-44-171)
258-6384/258-6322

International Trade Centres

Newfoundland

International Trade Centre
P.O. Box 8950
Atlantic Place
215 Water Street
Suite 504
St. John's, NF A1B 3R9

Tel.: (709) 772-5511
Fax: (709) 772-5093

Prince Edward Island

International Trade Centre
P.O. Box 1115
Confederation Court Mall
134 Kent Street
Suite 400
Charlottetown, PE C1A 7M8

Tel.: (902) 566-7443
Fax: (902) 566-7450

Nova Scotia

International Trade Centre
P.O. Box 940, Station M
1801 Hollis Street
Halifax, NS B3J 2V9

Tel.: (902) 426-7540
Fax: (902) 426-5218

New Brunswick

International Trade Centre
1045 Main Street
Unit 103
Moncton, NB E1C 1H1

Tel.: (506) 851-6452
Fax: (506) 851-6429

Quebec

International Trade Centre
5 Place Ville-Marie
Seventh Floor
Montreal, PQ H3B 2G2

Tel.: (514) 283-6328
Fax: (514) 283-8794

Ontario

International Trade Centre
Dominion Public Building
1 Front St. West
Fourth Floor
Toronto, ON M5J 1A4

Tel.: (416) 973-5053
Fax: (416) 973-8161

Manitoba

International Trade Centre
P.O. Box 981
330 Portage Avenue
8th Floor
Winnipeg, MB R3G 2V2

Tel.: (204) 983-5851
Fax: (204) 983-3182

International Trade Centres (cont'd)

Saskatchewan	International Trade Centre The S.J. Cohen Building 119-4 th Avenue South Suite 401 Saskatoon, SK S7K 5X2	Tel.: (306) 975-5315 Fax: (306) 975-5334
Alberta <i>* Edmonton office is also responsible for Northwest Territories</i>	International Trade Centre Canada Place 9700 Jasper Avenue Room 540 Edmonton, AB T5J 4C3 510-5th Street S.W. Suite 1100 Calgary, AB T2P 3S2	Tel.: (403) 495-2944 Fax: (403) 495-4507 Tel.: (403) 292-4575 Fax: (403) 292-4578
British Columbia <i>*Vancouver office is also responsible for the Yukon</i>	International Trade Centre 300 West Georgia Street Suite 2000 Vancouver, BC V6B 6E1	Tel.: (604) 666-0434 Fax: (604) 666-0954

Export Development Corporation (EDC)

Ottawa	151 O'Connor Street Ottawa, ON K1A 1K3	Tel.: (613) 598-2500 Fax: (613) 237-2690
Vancouver	One Bentall Centre 505 Burrard Street Suite 1030 Vancouver, BC V7X 1M5	Tel.: (604) 666-6234 Fax: (604) 666-7550
Calgary	510-5th Street S.W. Suite 1030 Calgary, AB T2P 3S2	Tel.: (403) 292-6898 Fax: (403) 292-6902
Winnipeg <i>*office also serves Saskatchewan</i>	330 Portage Avenue Eighth Floor Winnipeg, MB R3C 0C4	Tel.: (204) 983-5114 Fax: (204) 983-2187
Toronto	National Bank Building 150 York Street Suite 810 P.O. Box 810 Toronto, ON M5H 3S5	Tel.: (416) 973-6211 Fax: (416) 862-1267
London	Talbot Centre 148 Fullarton Street Suite 1512 London, ON N6A 5P3	Tel.: (519) 645-5828 Fax: (519) 645-5580
Montreal	Tour de la Bourse 800 Victoria Square Suite 4520 P.O. Box 124 Montreal, PQ H4Z 1C3	Tel.: (514) 283-3013 Fax: (514) 878-9891
Halifax	Purdy's Wharf, Tower 2 1969 Upper Water Street Suite 1410 Halifax, NS B3J 3R7	Tel.: (902) 429-0426 Fax: (902) 423-0881

British Government Offices in Canada

British High Commission	80 Elgin Street Ottawa, ON K1P 5K7	Tel.: (613) 237-1530 Fax: (613) 237-7980
British Consul General	1155 University Street Montreal, PQ H3B 3A7	Tel.: (514) 866-5863 Fax: (514) 866-0202
British Consul General	777 Bay Street College Park, Suite 1910 Toronto, ON M5G 2G2	Tel.: (416) 593-1290 Fax: (416) 593-1229

British Government Offices in Canada (cont'd)

British Consul General	1111 Melville Street Vancouver, BC V6E 3V6	Tel.: (604) 683-4421 Fax: (604) 681-0693
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Multilateral Organizations

World Bank	Washington, DC 20433 U.S.A.	Tel.: (202) 477-1234 Fax: (202) 477-6391
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Business and Professional
Organizations in Canada

British Canadian Trade Association	7050 Woodbine Avenue Suite 206 Markham, ON L3R 4G8	Tel.: (905) 475-3896 Fax: (905) 475-0311
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Alliance of Canadian Manufacturers and Exporters	99 Bank Street, Suite 250 Ottawa, ON K1P 6B9	Tel.: (613) 238-8888 Fax: (613) 563-9218
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Business and Professional Organizations in Canada

Alliance of Manufacturers and Exporters Canada	99 Bank Street, Suite 250 Ottawa, ON K1P 6B9	Tel.: (613) 238-8888 Fax: (613) 563-9218
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Major British Banks in Canada

Barclays Bank of Canada	304 Bay Street Toronto, ON M5H 4A5	Tel.: (416) 359-8000 Fax: (416) 359-8230
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Canadian Banks with Regional Offices in the United Kingdom

Bank of Montreal	11 Walbrook Street London, England EC4N 8ED	
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Canadian Imperial Bank of Commerce European Operations Office	Cottons Centre Cottons Lane London, SE1 2QL, England	Tel.: (011-441-71) 234-6000
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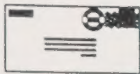
National Bank of Canada Europe Regional Office	Princes House 95 Gresham Street London, England EC2V 7LU	
---	--	--

Royal Bank of Canada AG	71/71A Queen Victoria Street London, England EC4V 4DE	
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The Toronto-Dominion Bank	Triton Court 14/18 Finsbury Square London, England EC2A 1DB	
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Hongkong Bank of Canada	10 Lower Thames Street PO Box 506 London, England EC3R 6AE	
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HOUSING EXPORT OPPORTUNITIES SERIES ORDER FORM



CMHC
P.O. Box 35005
Stn BRM B
Toronto, ON
M7Y 6E5



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Charge to VISA, American Express or MasterCard.

To avoid double billing, please do not send confirmation.



FAX TO
1-800-245-9274
Outside Canada
1-613-748-2016

VISA, American Express, and MasterCard.

To avoid double billing, please do not send confirmation. A fax will be treated as an original order.

METHOD OF PAYMENT

Check only one (individuals must prepay all orders.)

<input type="checkbox"/>	Please charge my
<input type="checkbox"/>	VISA <input type="checkbox"/> American Express <input type="checkbox"/> MasterCard <input type="checkbox"/>
Card Number	
Expiry Date	
Signature	
<input type="checkbox"/>	Payment enclosed \$ _____
Please make cheque or money order payable to CMHC	

Please Print

Name		
Company or Organization	Position Title	
Address		
City	Province/State/Country	Postal/Zip Code
Telephone Number ()	Fax Number ()	

To Complete See Example on Reverse Side

ORDER NUMBER	REPORT TITLE Please be sure the order number and report title match the listing	1 QTY	2 ITEM AMOUNT \$	3 TOTAL \$ AMOUNT 1 x 2	4 SHIPPING POINTS	5 TOTAL SHIPPING POINTS 1 x 4
					3	
					3	
					3	
					3	
					3	
					3	
					3	
					3	
					3	

SOURCE (How did you hear about the product?) TV AD <input type="checkbox"/> <input type="checkbox"/> CATALOGUE NEWSPAPER <input type="checkbox"/> <input type="checkbox"/> FLYER/BROCHURE MAGAZINE <input type="checkbox"/> <input type="checkbox"/> OTHER	Subtotal Column 3	A	Subtotal Column 5 Refer to Shipping and Handling Charges on the back of this form for the shipping and handling amount. SEE EXAMPLE ON REVERSE
	SHIPPING CHOICE Regular Mail <input type="checkbox"/> Courier <input type="checkbox"/>	ADD Shipping & Handling B	
	Subtotal (Add A + B) C		
	ADD GST Registration #100756428 (7% of subtotal C) D		
U.S. AND INTERNATIONAL ORDERS Please pay subtotal C in U.S. Funds (do not add GST or PST)	Subtotal (Add C + D) E	F	
	Quebec residents add PST (6.5% of Subtotal E)	G	
	Total (Add E + F)		

Shipping and Handling Charges

Points	Canada Regular Rates	Canada Courier Rates	U.S. Regular Air Rates	U.S. Courier Rates	International Regular Air Rates	International Courier Rates	Europe Courier Rates
1	2.55	5.00	5.00	11.00	7.00	24.00	19.00
2	3.65	8.00	6.50	14.00	9.00	30.00	25.00
3 to 5	5.80	11.07	8.11	30.75	12.18	63.75	47.75
6 to 10	6.18	11.07	12.46	34.75	20.61	88.75	55.75
11 to 20	6.43	12.35	18.08	42.75	38.77	118.75	71.75
21 to 40	6.94	14.90	23.81	58.75	64.65	193.75	103.75
41 to 60	7.44	17.62	29.48	74.75	68.12	253.75	129.75
61 to 80	7.95	20.51	35.15	90.75	117.36	313.75	149.75
81 to 100	8.45	23.35	40.92	106.75	146.60	373.75	169.75
101 to 120	8.96	26.20	46.59	120.75	166.71	433.75	189.75
121 to 140	9.46	29.05	52.31	134.75	184.72	493.75	209.75
141 to 160	9.97	31.90	58.00	148.75	207.45	553.75	229.75
161 to 180	10.47	34.75	63.71	162.75	228.92	613.75	249.75
181 to 200	10.98	35.60	69.38	176.75	250.29	658.75	269.75
201 to 220	11.48	40.45	75.05	190.75	N/A	718.75	289.75
221 to 240	11.99	43.30	80.72	204.75	N/A	778.75	309.75
241 to 260	12.49	46.15	86.49	218.75	N/A	838.75	329.75
261 to 280	13.00	49.00	92.21	232.75	N/A	901.75	349.75
281 to 300	13.50	51.85	97.88	246.75	N/A	958.75	369.75
Estimated Delivery times	2-3 weeks	5-10 days	2-3 weeks	5-10 days	4-8 weeks	12 days	12 days

Prices Subject to Change

CMHC Return Policy

We will replace damaged materials and correct shipping errors if we are notified within thirty days after you receive your shipment. If an item is not defective or not mistakenly shipped, then it must be returned by you at your cost within thirty days of receipt. It must arrive here in resaleable condition for you to receive credit.

International Note: Most international return shipments arrive damaged. If you received damaged items, contact CMHC at (613) 748-2969. Please do NOT return the damaged items unless we ask.

Example: To complete order form and determine shipping and handling charges

ORDER NUMBER	REPORT TITLE <small>Please be sure the order number and report title match the listing</small>	1 QTY	2 ITEM AMOUNT \$	3 TOTAL AMOUNT <small>1 x 2</small>	4 SHIPPING POINTS	5 TOTAL SHIPPING POINTS <small>1 x 4</small>
NHA 8003	Brazil	1	35.-	35.-	3	3
NHA 8009	Western Europe	2	23.-	46.-	3	6
					3	
					3	
SOURCE <small>(How did you hear about the product?)</small> TV AD <input type="checkbox"/> CATALOGUE NEWSPAPER <input type="checkbox"/> FLYER/BROCHURE MAGAZINE <input type="checkbox"/> OTHER		Subtotal Column 3 A 81.-			Subtotal Column 5 9	
		SHIPPING CHOICE Regular Mail <input checked="" type="checkbox"/> Courier <input type="checkbox"/>			ADD Shipping & Handling B 6.18	
		Subtotal (Add A + B) C 87.18				
U.S. AND INTERNATIONAL ORDERS Please pay subtotal C in U.S. Funds (do not add GST or PST)		Registration #100756428				
		ADD GST (7% of subtotal C) D 6.10				
		Subtotal (Add C + D) E 93.28				
		Quebec residents add PST (6.5% of Subtotal E) F -				
		Total (Add E + F) G 93.28				

Refer to Shipping and Handling Charges on the back of this form for the shipping and handling amount.

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